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State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

December 6, 2011

Robert Steele and Tony Peck
1055 North 400 East
Nephi, Utah 84648

Subject: Review of November 9, 2011, Letter and Map, Robert Steele and Tony Peck; Nephi Gypsum Quarry; M/023/0011; Juab County County, Utah

Dear Messrs. Steele and Peck:

On November 9, 2011, the Division of Oil, Gas and Mining received a letter and a new map regarding the reclamation surety and the disturbed area for the referenced large mine. Thank you for responding to the Division's letter, but there are several problems with the submittal:

- **Size of the disturbed area.** You state in the letter that the site is not 12 acres but seven acres because Nephi Sandstone owns the west end of the disturbed area and you have reclaimed one acre. The operator is responsible for reclamation of the permitted mine site no matter who owns the property. *The approved mine plan shows 12 permitted acres.*
- **Surety reduction.** The Division will consider reduction of the surety amount for successful reclamation if you apply for release. Please use form MR-SITE available on the Division's web site www.ogm.utah.gov.
- **Reclamation configuration.** The mine plan should reflect the configuration to which the site will be reclaimed. If the property owner wants it left a certain way, this should be shown in the mine plan.
- **Variance requirements.** If you intend to leave the site as is, you will need to apply for a variance from the rules and provide the required information for a variance. The variance request would need to include justification for the variance and alternate methods to be utilized. The variance needs to be consistent with the Act and specifically approved by the Division in writing.
- **Reclamation cost estimate.** The reclamation cost estimate can be calculated either. Using details of the reclamation plan to determine demolition costs, costs to mobilize



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and run equipment to regrade the site, and revegetation costs. Or, 2) Using average costs per acre. As stated in the Division's September 19, 2011, letter, the average cost per acre is \$4900.00 plus \$3000.00 mobilization for each piece of equipment. *The Division assumes that you will need at a minimum a trackhoe and a dozer with ripper blades.*

- **Verification of cost estimate.** Your letter says you would be able to do the reclamation for \$3000.00 per acre, but the Division must be able to verify the surety calculation. This would need to include details of the amount and distance of earthmoving, the type of equipment to be used, rates for equipment rental and manpower, demolition costs, and seeding and maintenance costs.

Please submit your response to this review and the Division's original letter by January 20, 2012. If you have questions about these issues please call Wayne Western at 801-538-5263. Thank you in advance for your cooperation.

Sincerely,



Paul B. Baker
Minerals Program Manager

First Review

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FIRST REVIEW OF NOTICE OF INTENTION

TO COMMENCE LARGE MINING OPERATIONS

Robert Steele and Tony Peck

Nephi Gypsum

M/023/0011

November 14, 2011

General Comments:

Comment #	Sheet/Page/ Map/Table #	Comments	Initials	Review Action
1	General	Submittal should be formatted to easily incorporate additional revisions and amendments. The current mine plan is from 1995 and is not in the current format. If you want to make major changes to the Notice of Intent (NOI) you will need to submit a revised NOI in the current format.	whw	
2	General	Additional comments from the Division can be generated in the future based on submittals received in the future, every attempt should be made by the Operator to submit a complete NOI the first time around.	whw	

R647-4-112 - Variance (List all variances requested and make a finding if approving.)

Comment #	Sheet/Page/ Map/Table #	Comments	Initials	Review Action

R647-4-113 – Surety

Comment #	Sheet/Page/ Map/Table #	Comments	Initials	Review Action

First Review
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Comment #	Sheet/Page/Map/Table #	Comments	Initials	Review Action
		<p>In your letter that was received on November 9, 2011 you state that the site is not 12 acres but 7 acres because Nephi Sandstone owns the west end of the disturbed area and you have reclaimed 1 acre.</p> <p>As Permittee you are responsible to for reclamation regardless of who owns the property. When the permit was approved you stated that you had legal right of entry to the disturbed area.</p> <p>The Division cannot reduce the bond amount because of reclamation activities unless the Operator applies for and receive bond release. If there are areas within the permit boundaries that you have reclaimed then you will need to apply for bond release. In order to apply</p> <p>Therefore, the Division cannot reduce the permitted area with bond release.</p>		
		<p>If the property owner wants the site left as is, then you need to modify the NOI (mine permit). The amended NOI would document that the landowner wants the site left as is. You would then need to apply for a variance so that the site can be left as is.</p> <p>If the Division approved the variance then the next step would be to apply for a partial bond release on the site. Once the bond release was granted then the Division would allow you to remove that area from the permit area.</p> <p>After the permit area was reduced then the Division could adjust the bond.</p>		
		<p>The Division cannot reduce the bond amount because of reclamation activities unless the Operator applies for and receive bond release. If there are areas within the permit boundaries that you have reclaimed then you will need to apply for bond release.</p>		
		<p>There are two methods to calculate a reclamation bond. The first is a detailed reclamation cost estimate. The second is a per acre cost. The current per acre cost is \$4,700.00 for a three year escalation and \$4,900.00 for a five year escalation. There is a mob/demob cost for moving equipment on and off the site. The current mob/demob cost is \$3,000 per piece of equipment.</p> <p>While you might be able negotiate with local contractors to do the work the Division does not have that option. The Division must place the work for bid. Depending on economic conditions local contractors might not be available for the work. Therefore, the Division assumes that the contractors could come from anywhere within a 120 mile radius. The Division must assume that a mob/demob charge would apply.</p>		
		<p>If you want to use a \$3,000.00 per acre cost for reclamation then you will need to document why the cost would be must lower. The Division recently reclaimed a bond forfeiture site in the area and the per acre cost was in line with the Division's average cost per acre estimates.</p>		